

If
Canada Would
Prosper



Copyright, Canada, 1924
by
THE PROSPERITY LEAGUE OF CANADA

R 894433



Presented to the
LIBRARY of the
UNIVERSITY OF TORONTO
by

MR. H.G. BUTT

If Canada Would Prosper



ADVISORY COUNCIL

Lieut.-Col. Henry Brock	F. Barry Hayes
George A. Dobbie	John Macdonald
J. F. Ellis	John Northway
W. K. George	R. A. Stapells
Geo. H. Gooderham	G. T. Somers
Sir James W. Woods	

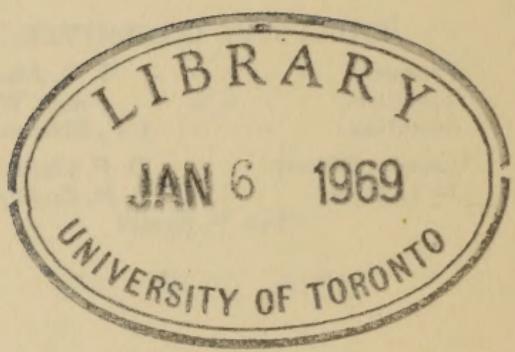
EXECUTIVE COMMITTEE

President	- - - - -	W. R. Morson
Treasurer	- - - - -	Frank Welch
Secretary	- - - -	J. F. Fitzpatrick
Charles Birkett		D. F. Christian
H. L. Rous		V. N. Smallpeice
Chas. V. Syrett		

Issued by

THE PROSPERITY LEAGUE OF
CANADA

64 WELLINGTON STREET WEST
TORONTO



If Canada Would Prosper

By

WALTER RUSSELL MORSON

Canada's prosperity must not be measured by the extent of her foreign trade, nor even by growth of her internal assets, unless such assets are internally owned. It is to be expected that a young country should increase its indebtedness to the outside world, provided that the country is growing, but, when the population is hardly increasing at all, and the debtor position is increasing by leaps and bounds, we may be sure that there is something wrong basically. It is because we are confident that the wrong can be righted, that we are offering the suggestions which follow. There is generally a cure for a difficulty, but it is necessary first to know just what the difficulty is, and what are its causes. Most people who think at all are aware that Canada is not prospering. There are, of course, those who draw a comfortable income, or salary, who regard a disastrous depression as merely an interesting news item. They have seen head-lines in the newspapers and have heard disgruntled people in public places discussing it. But to those who have to run a farm, or a store, a warehouse, or a factory, it is a matter of very deep concern. Likewise the man who has had his pay cut down, lost his job, seen his family in want, or been forced out of his own country to make a living: to such a man it is something more than a news item. He has every reason to know that there is something wrong, although he may not know the cause. If every Canadian gave 5% of his time to consideration of his Country's business affairs, there should not be many, who would fail to understand the source of our difficulties, which are plain and simple for those who wish to see.

One has only to live in Canada to be aware of our great depression, and, for the benefit of those who doubt the prosperity of the United States, let us quote from the January report of the Federal Reserve Board at Washington, as follows:— "In the business and banking developments of the year 1923, the outstanding

If Canada Would Prosper

fact has been the high level of industrial and agricultural output, and the demand for bank credit to finance a volume of production and trade never previously equalled." It exceeded even the wonderful year of 1919, and all the war period. President Coolidge said in his address on February 12th, 1924:—"It is perfectly obvious that there is something wrong, when agriculture is found in its present state of depression, at a time when manufacturing, transportation, and commerce are, on the whole, in a remarkable state of prosperity." This statement of fact is something for the economists to ponder, who tell us that the farm is the basis of our prosperity. It was fifty years ago, but is so no longer.

CANADA'S DEPRESSION AND AMERICA'S PROSPERITY ANALYSED

For the purpose of giving us an understanding of the relative positions arrived at by the two Countries, and of seeing which factors can be contributing to the depression in one country, and the prosperity in the other, let us compare some of the important items in the national make-up of Canada and the United States.

CANADA	UNITED STATES
Exports:	
\$945,000,000	\$4,167,000,000
\$110 per capita	\$40 per capita
National Debt:	
\$2,400,000,000	\$24,000,000,000
\$282 per capita	\$228 per capita
Bank Resources:	
\$2,700,000,000	\$53,400,000,000
\$318 per capita	\$509 per capita
National Wealth:	
\$17,000,000,000	\$320,000,000,000
\$2,000 per capita	\$3,047 per capita
Agriculture:	
Export areas bad	Export areas bad
Mixed farming	Mixed farming
areas fair	areas good
Tariff:	
20%	60%

These figures show the exports to be greatly in our favour. In agriculture the conditions are almost the same in both countries. The difference cannot be in the National Debts,

because the per capita difference is not very great, and the fact that Canada still enjoys excellent credit does away with this item as the cause. The difference in Bank Resources, and National Wealth, cannot constitute the cause, for the reason that the cash resources of our banks are very large at the present time, and money can be borrowed freely for any sound proposition. Another fact that points the same way is that Ottawa's loan of \$50,000,000 was all subscribed for in Canada: showing that there is plenty of idle capital here seeking a safe resting place: capital that is afraid to invest in industry.

If these deductions are correct it leaves us only the tariff item to account for the depression in Canada, and the prosperity in the United States.

LOWER WAGES DEPOPULATE CANADA

If England suffers depression, her people cannot go to any other European Country to work, because of the difference in language. Except to a very limited extent, people cannot go from any one European country to another to find employment, because of the language difficulty. But, if depression comes in Canada, or, if lower wages are paid here than in the United States, our people can go across the line, and fit into a place just as easily as though they were born there. French Canadians feel at home among the hundreds of thousands of compatriots already in the New England States, and the English speaking Canadians are understood in all parts of the U.S. Americans prefer to employ Canadians rather than any other foreign people. And for these reasons Canadians have been pouring into the United States, at the rate of 250,000 to 300,000 yearly. And the more population we lose, the greater becomes our depression. There is a head tax going into the U.S., and, while only 181,000 registered their entry, it is estimated by those in a position to know, that about as many go in without registration as with, in order to escape the tax.

WAGES DETERMINE OUR TARIFF POLICY

Protection fosters high wages. Men prefer high wages to low wages, and they go where

they can indulge their preference. Anyone who would not expect these results from Canada's lower tariff, which is about one-third that of the United States, can hardly be complimented on his reasoning ability. Those who do not take a lesson from their observation of the actual facts, as they occur, and as they have occurred every time we have lowered our tariff, must indeed be hopelessly indifferent or dense. The economic history of Canada and the United States has been this: When the tariff is lowered, factories close, soup-kitchens open, and widespread depression sets in. When the tariff is raised, factories open, soup-kitchens close, and general prosperity is ushered in. The United States was running into a depression in 1914, and it was only the outbreak of war that saved the Wilson Administration.

If any country can prosper under Free Trade, we believe Great Britain to be that country. But there is one absolute essential for a country that seeks prosperity in Free Trade, and that is that wages be regulated solely by the Law of Supply and Demand. This was so when Great Britain made her money out of Free Trade. But now the Unions are fixing the wages. This means strangulation for Great Britain, if the Unions succeed, or else it means that Great Britain will be forced to adopt Protection.

LAVISH MONEY MADE BEHIND AMERICA'S PROTECTIVE TARIFF CONTROLLING CANADIAN INDUSTRIES

There are 105,000,000 people in the United States, and their Labour Unions are well organized. Canada's population is 8,500,000. The wages are set by the larger country, and Canada has actually no say as to what its own scale of wages is to be. If Canada's wages are lower, she loses her population. Free Trade theorists may work out in their minds wonderful plans for Canada, but such theories are set at naught, because Canada is not an isolated island in the Pacific Ocean, but is contiguous to the greatest protectionist Country in the world. We are here. We cannot move our Country away. We must run the Country to meet the conditions imposed on us by our Neighbours, and by the circumstances of language

and geographical position. We are thousands of miles from any other Country than the United States. Apart from them we are in a very isolated position. For this reason we are bound to have extensive dealings with them, if we permit it, and if they permit it. Money and salesmen will cross a political boundary as readily as they will go from one town to another in Canada, unless hindered by artificial barriers. Americans have placed a Customs barrier against Canadian goods, three times as high as our barrier against theirs. If our tariff is, say 25% against American goods, the American tariff against our goods is 75%. While this difference in tariff continues there is no possibility of Canada growing in population or in wealth. Growth in assets owned by people who are living in other countries is not Canadian growth. That only increases the mortgage on our Country, and involves heavy annual outflow of money to pay dividends and interest. Americans now own 31% of Canadian Industries. It is estimated that Americans own \$2,750,000,000 of assets in Canada. The British own \$2,250,000,000. The total is \$5,000,000,000. If these assets yield their owners 5% per annum, it means an annual drain of \$250,000,000 on Canada. If it is not drained out of Canada it remains there, and increases the mortgage by that amount annually. This is a serious state of affairs, but how anyone could expect any better result from the blind, blundering policy that we have pursued for twenty years or more, we cannot see. Our error has been in not meeting the increases in tariff that the U.S. has placed against us. There is no use giving opiates to a moribund patient; better to shake him up so long as there is a remedy in sight.

FACTS, NOT THEORIES

It is a very small group of facts that takes the question of Protection vs. Free Trade out of the realm of theory, so far as Canada is concerned, and which absolutely dictates our course if we seek to enjoy prosperity.

No. 1. Protection fosters high wages and plenty of jobs.

No. 2. The U.S. has adopted very high protection.

No. 3. Men must work to make a living.

No. 4. Men prefer high wages to low wages.

No. 5. There is a train service running between the U.S. and Canada.

These facts brought a conclusion into the minds of 300,000 Canadians last year, and decided them to transfer themselves, and their potential wealth to the most highly protected country in the world. The blessing of a high standard of living is an irresistible magnet, and, in order to enjoy the same blessing in Canada, it remains only to us to follow the economic example of our Neighbour. Unfortunately it is our most enterprising men that we lose. Their education, the cost of which is borne by us, is made a present to Uncle Sam, while we burden our exchequer, and endanger our racial position by bringing in uneducated aliens.

ONE-SIDED ARRANGEMENT BLEEDS CANADA

If the stores on the north side of St. Catharine's St., Montreal, could sell only to residents living north of that street, while the stores on the south side were permitted to sell to residents north and south, would our Free Trade friends expect that arrangement to enrich the stores on the north side? Ask your real estate broker what would happen to real estate values on both sides of the street! The Forty Ninth Parallel is only an imaginary street 3,000 miles long dividing Canada from the United States. The conditions on both sides of this street at the present time will coincide with the real estate broker's valuations in the other case.

If Quebec imposed a duty of 25% against Ontario goods, and Ontario placed a duty of 75% against Quebec goods, would anyone expect that to enrich Quebec? The fact that the United States is a foreign country does not alter the case one iota. Salesmen do not recognize political boundaries, unless they are forced to do so by a prohibitive tariff. The American tariff is prohibitive, except as to certain raw materials, which Canada would be wiser to keep, or ship out in a finished state. Our Farmers and Fishermen have been kicked out of the American market; and our Industries were never allowed in. On the other hand: American Farmers, Fishermen, Industries and Mines are welcomed here almost with open arms.

This difference leaves us every year with a trade balance against us of from \$200,000,000 to \$300,000,000. Add to this 5% interest, or dividends, on American investments of \$2,750,000,000, amounting to \$137,500,000, and we have a grand total of from \$337,500,000 to \$437,500,000 against us each year in our trade relations with the U.S. We are that far away from the correct position. It is not good enough that we should collect a favourable trade balance from other countries, and hand it all over to the United States.

WHERE WEALTH COMES FROM “TAKING IN EACH OTHER’S WASHING”

Theorists tell us that we cannot impose a high tariff against the United States, because we have not the population. If there is one thing more definitely certain than another it is that we shall never have the population, unless we do impose a tariff equal to theirs. Free Traders say that we cannot make money by internal trade, which they describe as “taking in each other’s washing.” They also describe it as “trading jack-knives.” Wealth comes not from trading jack-knives among ourselves, or with others. Trading may bring wealth to the trader, but it does not produce wealth. Wealth comes from taking raw materials from the field, the forest and the mine, and working them up into merchandise, machinery, railroads, bridges, roads, buildings and other useful assets.

Protection gives Capital the confidence to undertake this conversion of raw materials into finished products, into productive assets. This is what has happened in the United States, which is the youngest industrial country in the world, and the richest. Their external trade is only 2%, and their internal trade 98%, of their entire trade. Their great wealth, estimated at \$320,000,000,000, certainly did not come out of the 2%. It came out of the 98%. It was made by “taking in each other’s washing.” When a Free Trader feels himself beaten in his arguments by the example of the United States, he will tell you the United States is an example of Free Trade. Very well, let us have Free Trade of the same kind in Canada.

INDIGENOUS RAW MATERIALS NOT ESSENTIAL

It matters almost nothing that a country does not produce all the raw materials it needs. England, until recently, was the greatest cotton and woollen cloth producer in the world; yet does not grow a pound of cotton, and imports nearly all her wool. Ireland and Scotland are noted for their linen cloths, but grow only a negligible quantity of flax. The United States is the largest silk fabric manufacturer in the world, but produces no raw silk. Neither does she produce rubber, asbestos, nickel, or sugar, but is the largest manufacturer of all, in the finished state. It is a great advantage for a country to have its own supply of products such as coal, iron, stone, clay, wood, etc., in which freight rates are a material consideration, on account of the heavy weight in proportion to value. In all these Canada is bountifully supplied, and is second to none in the world.

The general plan should be to export enough of our raw materials to pay for the raw materials we import. Then protect ourselves sufficiently to encourage the conversion of our raw materials, within our own borders, into finished products for our own needs, and for sufficient export to pay at least the interest and dividend account that is always against us, as well as the invisible flow of money, if that is against us.

THE FARMER THE BACK-BONE OF THE COUNTRY?

BAD CONDITIONS AND THEIR REMEDY

It is costing the farmer a lot of money and causing him to suffer a lot of distress, to enjoy the distinction of being called "The Back-bone of the Country." Our "statesmen" are trying to make the country all back-bone. All but farmers are discouraged from coming to Canada. This means that we grow more than we can consume ourselves, and, having an exportable surplus, we must sell that surplus at the lowest world-price. Also our sales at home must be made at the same price, less the cost of freight to Liverpool. Instead of forcing the farmer into the position of having an exportable surplus, and taking the lowest price, we should cultivate a well-rounded economic system, under which one class would

produce only what the other classes could consume, and do away with unprofitable exportable surpluses, so that our farm products could be protected and sold at a Canadian price, instead of at a World-price. A remedy could be immediately applied as an expedient, awaiting the adjustment of the underlying causes, which are:—the necessity for more mixed farming, and the existing disproportion between grain production, and Industry. The price of wheat could be fixed by law at a point that would show a reasonable profit, and an import duty placed upon it. The export surplus could be bought at the fixed price by a national commission, and sold in the markets of the World. The country generally would have to absorb the loss if any, but, before it could do so, Canadian industry would have to be placed in the same secure position that American industry now enjoys. If that were done the burden would not be insupportable.

This may be wrong in principle; it is wrong in principle, but, if it tides the Prairie Provinces over the present difficult period, the expedient will be justified. Washington is considering just such a remedy for the difficulties that beset their wheat and corn growing states. Here is a way out of the difficulty if the Progressives are looking for a real remedy. The remedy they are now intending to apply, if carried far enough, will bankrupt industry and all the interests dependent upon it. The Railroads were built with Eastern money. They are owned in the East. They depend largely upon Eastern business for support. If you bankrupt Eastern Industry, you bankrupt the Railroads. If you bankrupt the Railroads you could not get \$100 for a North-West farm, buildings and all.

It is time for the farmer to rise in his might, and strenuously object to having only competitors of his brought to this country, and his customers told to stay out. It may sound nice to be called a "back-bone," but the price takes away a lot of the pleasure. It was eighty years ago that the farmer was called the back-bone of the country, and at that time he was such: but, since the invention of ingenious agricultural machinery, which lessens the number of farmers required, and since the introduction of a thousand and one luxuries and necessities that we

use to-day, which were not known eighty years ago, we must employ many more city dwellers than farmers to supply our needs. Those who wrote text-books on economics, eighty and a hundred years ago, knew nothing of bicycles, motor-cycles, automobiles, electric cars, telephones, telegraphs, wireless telegraphs, radios, airplanes, movies, typewriters, piano-players, gramophones, electrical devices, and many other things, in common use to-day. These must all be manufactured in the towns and cities. As a matter of fact, the world has changed more, mechanically and economically, in the last 40 years, than it did in the 1884 years preceding, or back to the time of Christ. So that many pet ideas of the economists, wise in their day, have become meaningless shibboleths, and must be thrown into the discard. Any country that is to grow to important stature, and prosper, and be self-reliant, and self-contained, must have a much smaller farmer than urban population. We should aim at being well-rounded economically, and, until we do so, our farmers will never get a square deal. It is galling to a patriotic Canadian to see early fruits and vegetables coming into Canada, taking the taste out of our mouths, and depriving our farmers of the decided advantage of being first in the market. Those who want the luxury of early fruits and vegetables should have to pay a fancy price for them. We are "kicked out" of Uncle Sam's market, let us "kick" Uncle Sam out of ours. The tariff means to us prosperity. It means a full dinner-pail, a full purse, a full strong-box. Our financial, our economic existence is bound up with the tariff, because that position is forced on us by the attitude of our neighbour. We should not complain of his wisdom, but rather seek to amend our own foolishness.

HOME PRODUCTION SOLE SOURCE OF OUR WEALTH

It could only be a man who has given no thought to the question, who would not see that he is either directly, or indirectly dependent upon production for his own prosperity, or livelihood. Whether he be a lawyer, a doctor, a clerk in a sheltered or unsheltered trade—and no less if he be a mendicant, or a millionaire,

whose money is in mortgages and bonds, he can survive only by production that takes place in his own country, unless he be a person that derives his income from an outside source, a remittance man, for instance. It is by an exaggerated example that one is most easily made to understand a principle. Suppose we produced nothing and imported everything. The first result would be that we could not pay for the imports, and we would become bankrupt; for imports can be paid for (by a debtor nation such as we are) only by domestic production. Then suppose the reverse case, namely, that we imported nothing, and used only what we produced. It is clear that we would not get into debt to the outside world, and that what we produced in excess of our current consumption would constitute our wealth. We must import certain things, but these two examples show us clearly where our accumulated wealth must come from. By a previous example we have shown where America's great wealth did come from.

BUSINESS METHODS INSTEAD OF PARTISAN TACTICS

Now then we ask Canadians to ponder this question: What is the principal game played by our politicians? It is Rugby. And what are they using as footballs? Our dinner-pails and our strong-boxes, knocking them back and forth at least every four years, and scattering the contents to the winds. This is actually what is being done, and to-day many a workman finds his dinner-pail empty; many a housewife finds her purse empty; and many a merchant and manufacturer finds his strong-box empty. We must endure the Party System of Government, because we have as yet found no better way; but we ask every sensible Canadian to support us in demanding that they find some other ball to kick about, and that the tariff be handled in a non-partisan way, just as any board of directors, or any business management would handle the affairs of a business concern. We must devise a plan that will allow all men to think straight on the tariff question. We must free our minds from partisan politics.

There has been a long standing demand throughout this country that the tariff be

taken out of politics, but the plans for doing so have not met with sufficient approval. They have not been thought practical. We have recently proposed a plebiscite on two definitely arranged tariffs, but we believe that the following proposal is a much better plan; one that may have no precedent as applied to a tariff bill, but which has been in use at least in the British House in deciding certain matters, and is in use in every well conducted business throughout the world.

Our suggestion is that the tariff be drawn up by a permanent advisory body, appointed in the first instance by the Parties represented in the House, in proportion to their numerical strength. Also that the tariff be subjected to a free vote, in both the House of Commons, and the Senate. This will rid many members and perhaps ultimately all the members, of **partisan** prejudice in dealing with the tariff, as it would not affect the standing of the Party in power, no matter which way the vote should go. It would allow each member to take an independent and business view of the most vital thing our Representatives are ever called upon to consider, so far as our material well-being is concerned. To get a clear view of what is going on in the House, under the present system, we would ask the reader to consider this case:—Suppose the House were voting on a question as to whether a man should be shot. If all on one side of the House voted for him to be shot, and all on the other side voted for him not to be shot, could we bring ourselves to a belief in such a coincidence, that the division occurred as it did on the conscientious convictions of each member? Would we not be certain that some were guilty of conspiracy to murder in voting to shoot a man they believed to be innocent, and that others were voting to acquit a guilty man? An unconscientious vote on the tariff may financially kill hundreds of thousands of men, drive many into poverty and even into the grave. It drove 300,000 out of their own country in 1923 in order to make a livelihood. Does not a partisan vote on a vital question such as this appear to us as an awful curse, a damnable thing for our country? Then let every Organization, political and non-political, in Canada

unite in a determination to stamp out the partisan spirit in the conduct of our business affairs. Under the present system, when the vote means a defeat either of the Government or of the country's wishes, it inevitably results in the country's defeat, whereas, in the case of a "free vote," the country's wishes would be respected. Under a system of a free vote, a candidate might commit himself to a high tariff, and to support the Liberal Party, and another might support the Conservative Party and a low tariff.

A candidate would doubtless declare whether he favoured a high or low tariff when presenting himself for election, but, if he favoured a high tariff, but also some important ideal that the Liberal Party stood for, he could stand for both in seeking election. Likewise the candidate might favour Conservative ideals, and also a low tariff, or even Free Trade; he then could stand for both. There is no security for the Country in adhering to one Party. All parties go wrong. Some are corrupt, some inert, some incompetent. And when a Government comes to deserve any of these descriptions, the voter wishes to be able to vote his Party out of power, without spilling his dinner pail; without facing economic ruin. In most constituencies the candidates would know what tariff policy was acceptable to the majority, and both candidates would in that case favour the same tariff policy, but would differ on other principles.

We appeal to all Parties to-day to work towards this solution of our national difficulty. We feel confident that all are aware of this difficulty, and that those, who are inspired by the single purpose of promoting their Country's welfare, will agree to some such plan. The Country should strike out now, at a time when the facts are so evident. The present low tariff is steering this Country straight out of the Empire. And this is the very last thing that is desired by those who are unanimous in supporting the Party responsible for it. We ask all citizens of all Parties, of all Religions, East and West, to unite in a determination to foster Canadian production and to pull together in a business programme to build up Canada.

The Prosperity League of Canada

EXTRACT FROM THE CONSTITUTION

ARTICLE I

This Organization shall be non-political in character, and shall be called—**THE PROSPERITY LEAGUE OF CANADA.**

ARTICLE II

The objects of the League shall be:—

- (1) To safeguard the resources of Canada, and to foster their development, to the greatest advantage of the whole Country, and of all the People.
- (2) To raise and maintain a Tariff against the U.S.A. which shall average as high as the U.S.A. Tariff against Canada.
- (3) To raise and maintain such a Tariff against the whole World as shall adequately protect Canadian Agriculture and Industry at all times.
- (4) To devise a plan to remove the Tariff from the control of Partisan Politics.

ARTICLE III

Membership of the League shall be confined to males of the age of twenty-one years, or over, domiciled in Canada.

ARTICLE IV

Life Members shall pay a fee of \$100, in one sum.

Active Members shall pay an annual fee of \$5.00, which shall cover a period of one year from date of application for membership.

Fees shall be payable on application for membership.
